

**RULES
OF THE
TENNESSEE DEPARTMENT OF FINANCIAL INSTITUTIONS**

**CHAPTER 0180-14
REGULATIONS PERTAINING TO OTHER REAL ESTATE**

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0180-14-.01. "OTHER REAL ESTATE OWNED" DEFINED.

- (1) "Other real estate owned" is real estate acquired by a state bank:
 - (a) Through purchase at sales under judgments, decrees, or mortgages where the property was security for debts previously contracted;
 - (b) Through conveyance in satisfaction of debts previously contracted; or
 - (c) Through purchases to secure debts previously contracted.

Authority: T.C.A. §§ 45-1-107 and 45-2-607(b)(2). Administrative History: Original rule filed April 29, 1985; effective July 14, 1985.

0180-14-.02. PROCEDURES FOR DISPOSITION OF OTHER REAL ESTATE.

- (1) Other real estate owned by a state bank shall be sold within five (5) years of its acquisition or such longer period as the Commissioner may allow.
- (2) Upon written request by the bank the Commissioner may grant an extended period, up to an additional five (5) years, in which to sell the other real estate.
- (3) If the Commissioner grants an extended period, the bank in reporting its financial status to the department, shall write-off twenty percent (20%) of the appraised value of the other real estate each year it is held until the other real estate is either sold or the maximum five (5) year period has elapsed. In extraordinary circumstances, the Commissioner may reduce the percentage a bank shall write-off other real estate and/or may extend the period in which the other real estate may be held.
- (4) Other real estate which has been written off but not disposed of shall maintained on the bank's books at some nominal value (e.g. \$1.00).
- (5) If the bank's Board of Directors deems the other real estate owned to be a prudent investment for income and/or appreciation for the bank, the Board may take action to maintain the other real estate on the bank's books as an investment in real property, pursuant to T.C.A. § 45-2-607(a)(9). Such action shall be reflected in the minutes of the Board of Directors. The balance carried may not exceed the appraised value of the real estate at any time. Any amount in excess of the current appraised value of the real estate shall be immediately charged-off the bank's books.
- (6) The bank must obtain annually from an independent, qualified appraiser a current appraisal of fair market value for each parcel of other real estate owned and for each parcel of investment real estate. The bank has thirty (30) days from the date the parcel is acquired by the Bank as other real estate owned, or from the date on which the bank legally acquires real estate for investment purposes, to obtain this appraisal. Within twelve (12) months of the first appraisal required under this rule, and

(Rule 0180-14-.02, continued)

every twelve (12) months thereafter for as long as the bank owns the real estate, another independent appraisal or a written update must be obtained which confirms the current fair market value.

Banks are required to obtain appraisals on all parcels where Book Value exceeds one-half of one percent ($\frac{1}{2}$ of 1%) of Total Equity Capital. Any Bank whose one-half of one percent ($\frac{1}{2}$ of 1%) of Total Equity Capital is less than \$25,000, shall be required to obtain appraisals on parcels whose book value is \$25,000 or greater; provided, however, that any Bank whose one-half of one percent ($\frac{1}{2}$ of 1%) of Total Equity Capital is greater than \$150,000, shall be required to obtain appraisals on parcels whose book value is \$150,000 or greater. For the purpose of this rule, a bank's Total Equity Capital is defined as the total of its Capital Stock, Surplus, and Undivided Profits.

Authority: T.C.A. §§ 45-1-107 and 45-2-607(b)(2). **Administrative History:** Original rule filed April 29, 1985; effective July 14, 1985. Amendment filed August 29, 1989; effective November 29, 1989.